



The Real Estate TRENDS

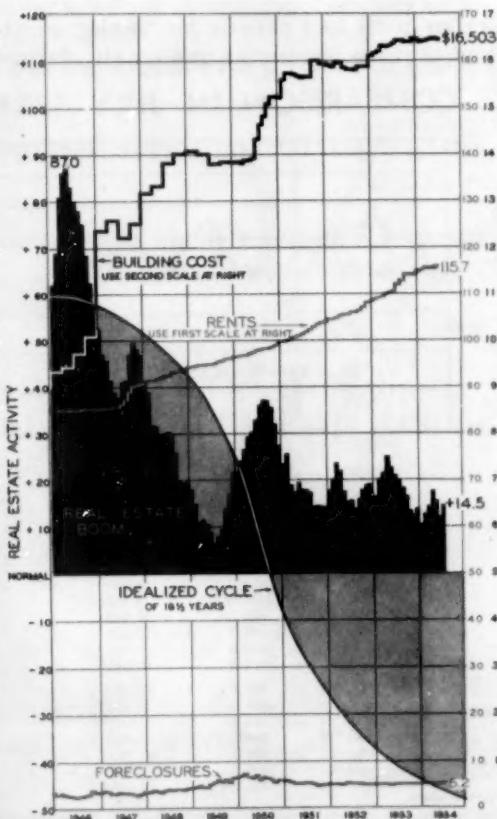
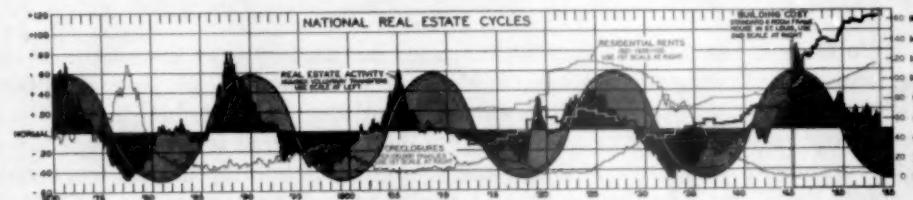
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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS



REAL ESTATE ACTIVITY

Outlook is for improvement within next month or so. Small rise to 14.5 points above normal recorded in July.

REAL ESTATE MORTGAGE ACTIVITY

Now at 203.5, the highest level in past 15 months. New housing bill will boost.

REAL ESTATE SALES PRICES

Overall index shows remarkable stability, with older houses slipping somewhat.

INTEREST RATES

Off fractionally again this month, but still relatively stable.

RESIDENTIAL CONSTRUCTION VOLUME

Headed for another "million plus" year.

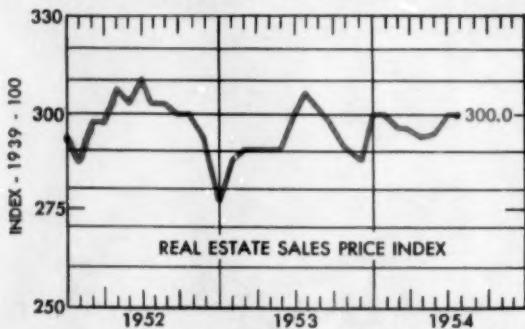
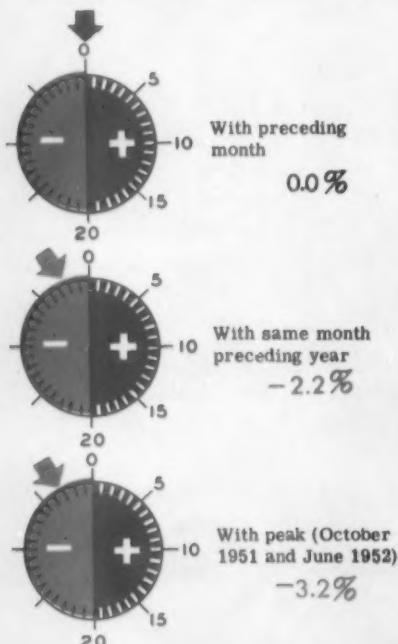
REAL ESTATE AND MORTGAGE ACTIVITY

Since the beginning of 1951, our national real estate activity index has varied between 10 and 25 points above the long-range normal. If these figures were reduced to raw index numbers, they would mean that national activity had ranged between 110 and 125. This is a variance of less than 14% through a period of almost 4 years. Through this same period mortgage activity has varied slightly less than 20%. To an industry long accustomed to the rolling violence of past cycles, this is a truly remarkable and welcome change of pace, albeit perhaps a temporary change.

We have in the past few months indicated our anxiety over the continued building boom. Realizing that we are decidedly in the minority, we persist in our belief that continued "hopped up" residential building will eventually lead the real estate and building industry into trouble. We believe that if the million-per-year rate continues, vacancies will become a serious problem, unless worn-out and obsolete dwellings are torn down and replaced by a portion of the million units annually projected.

Newspaper ad counts in some 40 cities point to a rapidly increasing supply of rental housing. For the present, many of these vacancies are small, furnished

REAL ESTATE SALES PRICE COMPARISON IN JULY 1954



Date	Selling price index	Probable selling price of a house that sold for \$5,000 in 1939
1939	100.0	\$ 5,000
Jan. '53	287.0	14,350
Feb. '53	290.0	14,500
Mar. '53	290.0	14,500
Apr. '53	290.0	14,500
May '53	290.0	14,500
June '53	300.0	15,000
July '53	306.7	15,335
Jan. '54	300.0	15,000
Feb. '54	296.0	14,800
Mar. '54	296.0	14,800
Apr. '54	293.0	14,650
May '54	296.6	14,830
June '54	300.0	15,000
July '54	300.0*	15,000*

*Preliminary.

units, but continuance of the present rate of construction will spread the vacancy to other types. Moreover, each dwelling unit is actually in competition with all other dwelling units, and a growing oversupply in one type will eventually react unfavorably on all other types.

The short-term outlook, however, is good. The entire economy seems to be emerging from the recent slump. Along with most other lines, real estate and mortgage volume is heading upward once again. The entire real estate-lending-building industry is almost certain to receive some stimulation from the new housing bill. Lower down payments, longer terms, higher Government-sponsored loans, will all provide more zip to the market. This, coupled with relatively stable prices and smart, hard merchandising, could make 1954 one of the best years on record.

**REAL ESTATE
SALES PRICES**

Our index of real estate sales prices of single-family homes has been unusually stable for the last 6 months. Since the first of this year the index has stayed within the 293-to-300 range.

Translated into dollars, this means that an "average" house would have sold for prices ranging from \$14,650 to \$15,000. The preliminary figure of 306.7 that we showed for June of this year was too high. Final figures bring the June reading to an even 300. Preliminary figures for July indicate no change, and the first figures for August give promise of a slight downturn.

INTEREST RATES

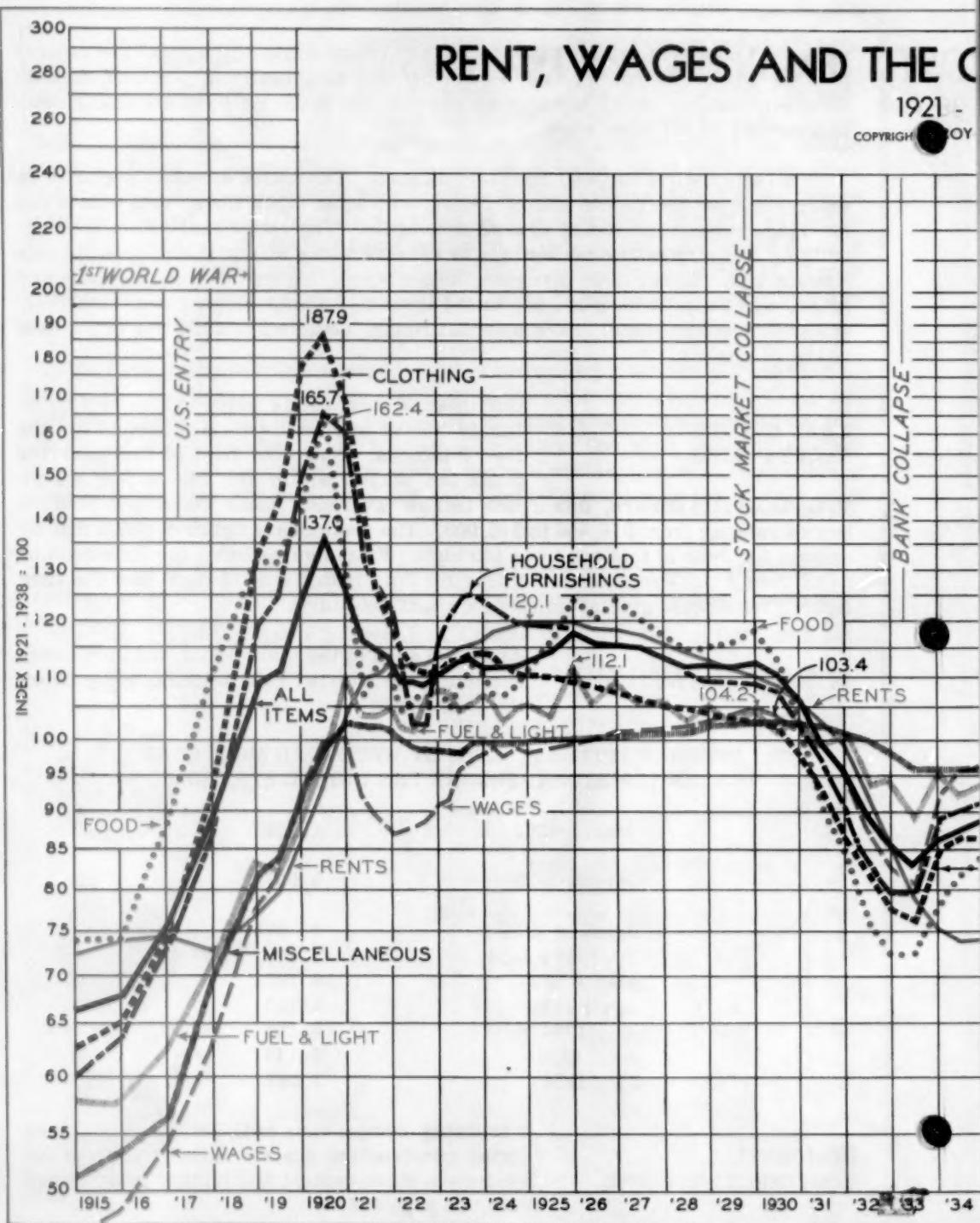
As can be seen by the table below, the July average mortgage interest rate dipped slightly below the June figure.

**AVERAGE INTEREST RATE OF RECORDED MORTGAGES
IN 11 MAJOR CITIES OF THE UNITED STATES**

March 1952	4.998%
March 1953	5.007
January 1954	5.187
February 1954	5.240
March 1954	5.197
April 1954	5.173
May 1954	5.151
June 1954	5.114
July 1954	5.089

**RESIDENTIAL
CONSTRUCTION COSTS**

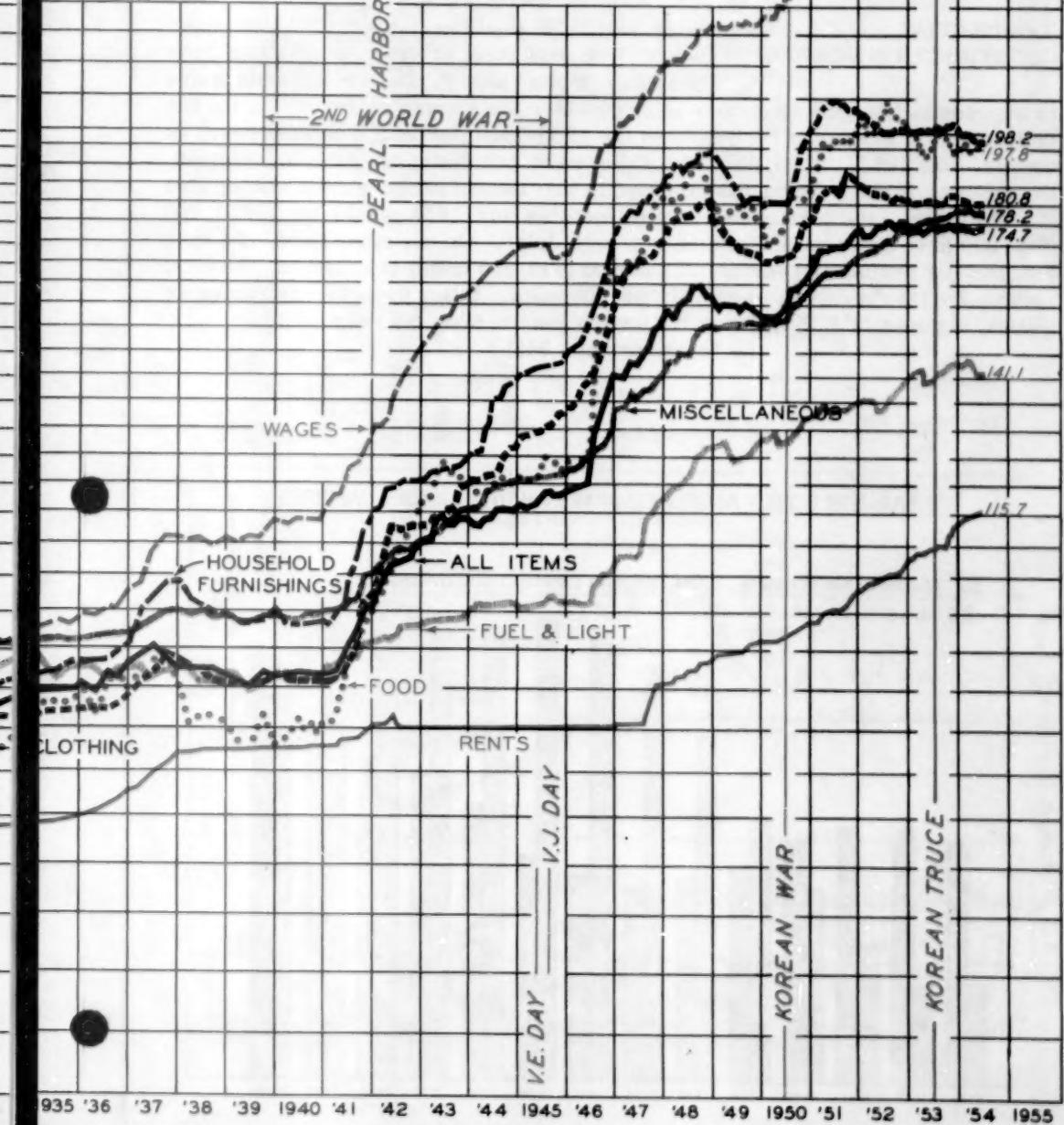
Increasing competition will act as a brake on rising construction costs. However, price increases in steel, cement and lumber point toward (cont. on page 346)



COST OF LIVING IN THE U. S.

1938 = 100

WENGER & CO. - 1954



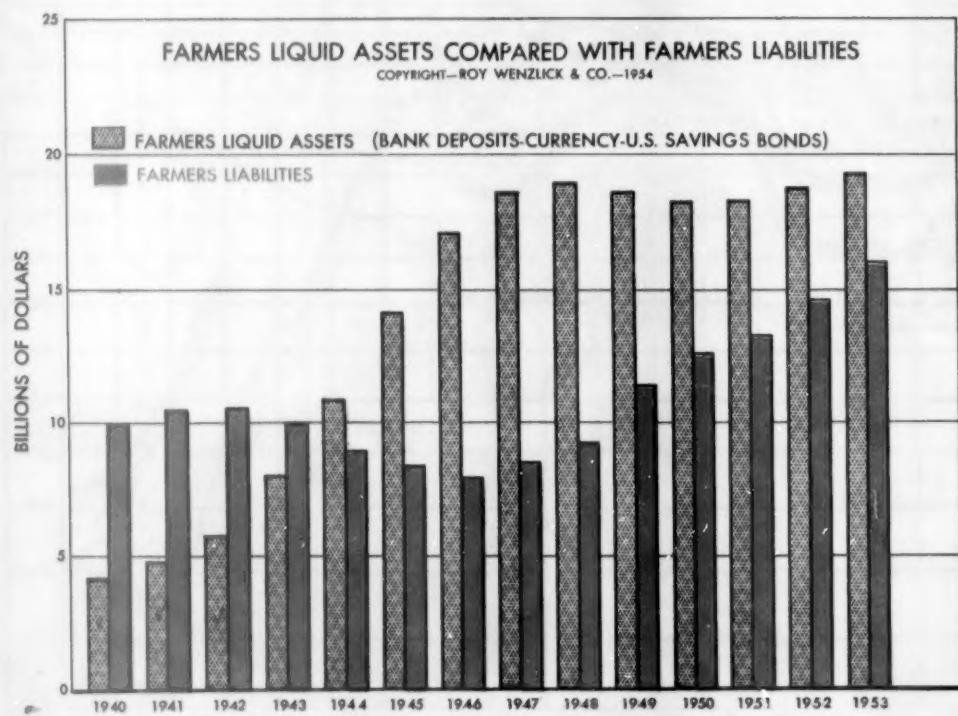
(cont. from page 343)

a slowly rising level. The fact that easier and easier terms for home buyers make price increases more palatable is certainly no deterrent to their continuing climb.

RESIDENTIAL CONSTRUCTION VOLUME

For several months there has been but little doubt that 1954 would be another "million plus" year. The only point of disagreement has been over how much "plus." One very simple guide to success in this guessing game is to consider the volume racked up during the last 5 months in each of the years in the 1950-1953 period. The best year, of course, was 1950, when 545,900 units were put under way during August-December. If the building industry equals that record (there's little chance that it will beat it), the total construction volume for 1954 would be 1,230,900 (685,000 have already been started through July). On the other hand, if a rate equal to the August-December 1951 period (410,800 units) is achieved, the total volume for this year will be only 1,095,800 units. Using these two extremes as guides, a guess of 1,150,000 starts for the year now seems reasonable.

(cont. on page 348)



INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
August 1954



SIX-ROOM BRICK HOUSE

(FRAME INTERIOR)*

Content: 23,100 cubic feet
1,520 square feet

Cost 1939: \$ 6,400
(27.7¢ per cubic foot; \$ 4.21 per square foot)
Cost today: \$17,236
(74.6¢ per cubic foot; \$11.34 per square foot)
INCREASE OVER 1939 = 169.3%



FIVE-ROOM BRICK VENEER HOUSE*

Content: 24,910 cubic feet
1,165 square feet

Cost 1939: \$ 5,440
(21.8¢ per cubic foot; \$ 4.67 per square foot)
Cost today: \$15,036
(60.4¢ per cubic foot; \$12.91 per square foot)
INCREASE OVER 1939 = 176.3%



SIX-ROOM FRAME HOUSE*

Content: 24,288 cubic feet
1,650 square feet

Cost 1939: \$ 5,871
(23.4¢ per cubic foot; \$ 3.44 per square foot)
Cost today: \$17,043
(70.2¢ per cubic foot; \$10.33 per square foot)
INCREASE OVER 1939 = 200.5%



6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT

Content: 12,119 cubic feet
992 square feet

Cost 1939: \$3,392
(28.0¢ per cubic foot; \$3.42 per square foot)
Cost today: \$9,402
(77.6¢ per cubic foot; \$9.48 per square foot)
INCREASE OVER 1939 = 177.2%

*Costs include full basement.

(cont. from page 346)

The total volume of the first 7 months of 1954 was brought to 685,000 units by the addition of 112,000 starts in July. This compares with 678,100 for the like period in 1953, or a gain of slightly more than 1%. As we have already indicated, the outlook for the remainder of 1954 is good.

FARMER FINANCES

The chart on page 346 shows that the American Farmer was certainly well heeled as late as 1953. His liquid assets (bank deposits, currency and United States Government bonds) totaled \$19.2 billion, a tidy \$3.2 billion higher than his total liabilities. Although not so flush as he was in his palmy days of the late 1940's, the American Farmer is still remarkably well off. There are few groups in the country that could reach into their bank accounts and pay off all of their indebtedness and still have \$3.2 billion left to jingle in their pockets.

If you will look back to page 263 of the June 1954 Trends, you will see that the American Farmer's total assets are roughly 10 times his total liabilities.